

Message Text

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ACTION EB-08

INFO OCT-01 STRE-00 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 SOE-02
OMB-01 DOE-11 AF-10 ARA-10 EA-10 EUR-12 NEA-10
OIC-02 DOEE-00 SSO-00 /144 W
-----013066 021956Z /40

P 021932Z FEB 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 5468

INFO AMEMBASSY BUENOS AIRES

ALL OECD CAPITALS

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USMTN

USEEC

PASS ELECTRONICALLY STR (STARKEY) AND USDA (HATHAWAY/
SAYLOR)
STR PASS CODEL

E.O. 11652: N/A

TAGS: MTN, ETRD

SUBJECT: JANUARY 31 - FEBRUARY 1 MEETING OF DAIRY SUB-
GROUP

1. SUBGROUP DAIRY MET JANUARY 31 - FEBRUARY 1 AND
EXAMINED IN DEPTHS THE REVISED TEXT OF THE WORKING HYPO-
THESIS OF AN INTERNATIONAL DAIRY ARRANGEMENT. THE
MEETING WAS CONSTRUCTIVE AND CLARIFIED SEVERAL, THOUGH
NOT ALL ASPECTS OF WHAT THE EC NOW ATTEMPTS TO PRESENT
AS A HYPOTHESIS ADOPTED BY THE SUBGROUP RATHER THAN AS
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AN EC-NEW ZEALAND PROPOSAL. THE EC DID NOT INSIST ON
SOME OF THE STATEMENTS WE ANTICIPATED THEY WOULD WISH TO
HAVE INSERTED IN THE RECORD. HOWEVER, THE SUMMING-UP
OF THE MEETING INCLUDES THE FOLLOWING STATEMENT. QUOTE
THE SUBGROUP NOTED THAT DELEGATIONS WOULD NOW PROCEED
TO ENTER INTO BILATERAL OR PLURILATERAL NEGOTIATIONS ON
THE BASIS OF REQUESTS AND OFFERS THAT HAVE BEEN MADE OR

MAY BE MADE UNQUOTE. PIZUTTI IN PRIVATE CONVERSATION TOLD US THAT THE US WILL RECEIVE AN INVITATION FOR BILATERAL DISCUSSIONS ON DAIRY (AND POSSIBLY MEAT) SOME TIME AFTER AN INTERNAL EC REVIEW MEETING SCHEDULED FOR FEBRUARY 3 IN BRUSSELS.

2. THE GROUP WILL CONTINUE THE EXAMINATION OF THE WORKING HYPOTHESIS AT ITS NEXT MEETING SET FOR FEBRUARY 28. THIS EXAMINATION BASED ON A FURTHER SECRETARIAT REVISED EDITION OF THE ORIGINAL PROPOSALS WILL CONCENTRATE ON A REVIEW OF THE ANNEXES CONTAINING THE PRESENT AND PROPOSED PROVISIONS OF THE PROTOCOLS FOR MILK POWDER AND BUTTERFAT.

3. THE CENTRAL THEME OF THE GROUP'S DELIBERATION WAS THE RELATIONSHIP BETWEEN VARIOUS PROVISIONS OF THE WORKING HYPOTHESIS AND THE GENERAL AGREEMENT. AT THE BEGINNING OF THE MEETING THE EC (JACQUOT) STATED THAT THE PROPOSED INTERNATIONAL DAIRY ARRANGEMENT WOULD BE QUOTE AT THE MARGIN OF GATT INQUOTE AND IN A SIMILAR RELATIONSHIP WITH THE LATTER AS THE MFA. HOWEVER, IN VIEW OF THE ALMOST UNANIMOUS INSISTENCE BY THE OTHER DELEGATIONS ON THE PRECEDENCE OF GATT RIGHTS AND OBLIGATIONS OVER THOSE THAT MIGHT RESULT FROM THE DAIRY ARRANGEMENT OR FROM BILATERAL NEGOTIATIONS RELATED TO IT, THE EC YIELDED. THE EC AGREED THAT WHATEVER THE PROVISIONS OF THE PROPOSED DAIRY ARRANGEMENT AND NOTWITHSTANDING THE FACT LIMITED OFFICIAL USE

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THAT THE RESULTS OF BILATERAL AND PLURILATERAL NEGOTIATIONS SHOULD BE TAKEN FROM THE GATT SCHEDULES AND INSCRIBED IN THE ANNEX (ANNEX III) OF THE DAIRY ARRANGEMENT ALL GATT RIGHTS AND OBLIGATIONS WOULD REMAIN UNIMPAIRED.

4. THE EC NEVERTHELESS ACKNOWLEDGED UPON QUESTIONING BY US DEL (KOENIG) THAT CONCERTED DISCIPLINES, EVEN IF PART OF THE REGULAR GATT SCHEDULES, WOULD NOT CONFER THE SAME RIGHTS AND DUTIES UPON THE PARTIES INVOLVED AS TRADITIONAL GATT CONCESSIONS (E.G. TARIFF BINDINGS). THE EC ALSO CONCEDED OBLIQUELY UPON QUESTIONING BY AUSTRALIAN DEL (FOGARTY) THAT THE EC WHILE PROPOSING CONCERTED DISCIPLINES FOR GAINING ACCESS TO FOREIGN MARKETS FOR ITS OWN CHEESES, WOULD BE UNWILLING TO ENTER INTO SUCH AGREEMENTS TO GRANT THIRD COUNTRIES BETTER ACCESS TO ITS BUTTER AND NFD M MARKETS.

5. TOWARDS THE END OF THE MEETING THE EC MADE A SURPRISE MOVE. IT SUGGESTED THAT THE RESULTS OF THE BILATERAL AND PLURILATERAL NEGOTIATIONS CONCERNING DAIRY PRODUCTS SHOULD NOT REPEAT NOT BE INSCRIBED IN ANNEX III OF THE ARRANGEMENT, AS PRESENTLY ENVISAGED IN THE DOCUMENT PREPARED BY

THE SECRETARIAT. INSTEAD THE RESULTS OF SUCH NEGOTIATIONS SHOULD BE PART OF THE PROTOCOLS. THIS WOULD MEAN THAT, FOR INSTANCE, AN AGREEMENT ON CHEESE BETWEEN THE U.S. AND THE EC WOULD BE PART OF A PROTOCOL ON CHEESE SO THERE IS A RISK (WHICH WE WILL HAVE TO GUARD AGAINST) THAT THE EC MIGHT CONSIDER US BOUND TO AN INTERNATIONAL DAIRY ARRANGEMENT SIMPLY BY ENTERING INTO A BILATERAL AGREEMENT ON A PARTICULAR DAIRY PRODUCT. SPAIN (IRANZO) POINTED TO THE FAR-REACHING AND LEGALLY COMPLEX IMPLICATIONS OF THE EC PROPOSAL.

6. WE WILL REPORT SEPARATELY ABOUT THE DETAILED EXAMINATION OF THE VARIOUS ARTICLES OF THE WORKING HYPOTHESIS.

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INFO AMEMBASSY BUENOS AIRES

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7. DRAFTED BY KOENIG, CULBERT

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